



Rockford, Michigan

Comprehensive Annual Financial Report

Year Ended
June 30, 2005

ROCKFORD PUBLIC SCHOOLS
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For the year ended June 30, 2005

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 2, 2005

The Board of Education
Rockford Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Rockford Public Schools (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Rockford Public Schools as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2005 on our consideration of Rockford Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rockford Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

As management of the Rockford Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 20,808,911	\$ 18,892,642
Capital assets, net book value	69,341,294	72,218,571
Total Assets	90,150,205	91,111,213
Liabilities		
Current liabilities	18,038,781	18,831,420
Long-term liabilities	104,974,831	110,311,957
Total Liabilities	123,013,612	129,143,377
Net Assets		
Invested in capital assets, net of related debt	(39,017,681)	(42,292,227)
Restricted	708,656	11,786
Unrestricted	5,445,618	3,576,913
Total Net Assets	\$ (32,863,407)	\$ (38,032,164)

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

The Statement of Activities presents changes in net assets from operating results:

	2005	2004
Program Revenues		
Charges for services	\$ 3,658,594	\$ 4,105,145
Operating grants	6,580,808	4,431,340
General Revenues		
Property taxes	16,719,759	14,698,161
State school aid, unrestricted	47,703,000	47,372,784
Interest earnings	223,114	88,309
Gain on sale of capital assets	5,451	339,960
Other	701,120	514,066
Total Revenues	75,591,846	71,549,765
Expenses		
Instruction	36,718,270	35,982,357
Supporting services	23,160,854	21,144,671
Community services	1,914,981	1,747,658
Food service	2,078,745	1,896,860
Athletics	1,221,339	1,242,649
Other	2,516	—
Interest on long-term debt	5,215,052	6,296,705
Depreciation – unallocated	111,332	111,932
Total Expenses	70,423,089	68,422,832
Increase (decrease) in net assets	5,168,757	3,126,933
Net Assets - Beginning of Year	(38,032,164)	(41,159,097)
Net Assets - End of Year	<u>\$(32,863,407)</u>	<u>\$ (38,032,164)</u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in taxes and students contributed to a revenue increase. Fiscal 2005 was the initial year for the assessment of the Parks and Recreation Millage and the increase in the county wide special education enhancement millage which generated \$2.1 million.

The District's total revenues were \$75.59 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 85% of the total. The remainder came from state and federal aid for specific programs, fees charged for services, interest earnings and other local sources.

The total cost of all programs was \$70.42 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (60 percent). The District's operation and maintenance services accounted for 8.8 percent of total costs.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Total revenues exceeded expenses by \$5,168,757 on the Statement of Activities, increasing Unrestricted Net Assets to \$5,445,618 at June 30, 2005.

The stability of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during challenging economic times.

- The District has, for the fifth year, conducted a thorough budget analysis and has broken the budget down into specific components and the related expense. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Board and Administration agreed that it was important for employees, and community members to understand the finances of the District. To accomplish this, central office administrators held budget meetings with all staff members, parents, and community members to share information about how schools are funded, how budgets are prepared, and what budgetary concerns were for the current year and into the future. They sought input on increasing revenues and reducing expenses.
- Regular updates were provided to the Board of Education during the school year. As Board meetings are recorded, many community members received the same updated budget information.
- Board and Administration enjoys a professional relationship with the union groups employed by Rockford Public Schools. As a result, recent contract settlements include a switch to a more cost effective health insurance plan which reduced health care cost by approximately \$650,000 .
- During fiscal year 2005 the District refinanced \$34.9 million of its 1997 bond issue. This will result in a reduction in annual debt service payments of \$4.6 million over the life of the new debt.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Rockford Public School's funds are described as follows:

Major Fund

- The General Fund is our primary operating fund. The General Fund had total revenues of \$62,361,118, total expenditures of \$59,809,953 and other financing uses of \$677,975. The General Fund ended the fiscal year with an undesignated fund balance of \$5,547,978, up from \$3,674,788 at June 30, 2004, due primarily to the assessment of the Parks and Recreation and county wide Special Education Millages during fiscal year 2005, along with careful monitoring of expenditures.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of \$1,900,700 and total expenditures of \$1,987,041 in 2004-05, decreasing its fund balance to \$72,724 at June 30, 2005.
- The Athletics Fund, which administers the athletic program of the District, had total revenues of \$364,378, expenditures of \$1,039,837 and transfers from the General Fund of \$675,459 during the 2004-05 fiscal year. Fund balance at year end remained at zero.
- The District operates six Debt Service Funds to finance the repayment of general obligation bonds. Total revenues were \$10,816,668, with total expenditures of \$9,769,745. The ending fund balances totaled \$1,513,260.
- There is one Capital Projects Fund incorporated into the financial statements of the District, the 1997 Construction Fund. Total revenue from interest earnings was \$99 and expenditures were \$8,970. The ending fund balance was zero.
- The Scholarship Fund is operated as a Private Purpose Trust Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2005 totaled \$373,243.
- The Student Activities Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2005 totaled \$513,382.

General Fund Budgetary Highlights

Over the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Amendments made in January to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and reductions in state school aid due to State of Michigan budgetary reductions.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

- Final amendments made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The final budget for the General Fund anticipated undesignated fund balance to be 7.55% of General Fund expenditures - the actual results equaled 9.56%.
- The actual increase in fund balance was higher than expected due to a combination of an increase in revenues from Community Services and a reduction of health care costs.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had a \$106,522,050 investment in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

At June 30, 2005, the District's investment in capital assets (net of accumulated depreciation), was \$69,341,294. Capital asset purchases totaled \$168,334 for the fiscal year with accumulated depreciation increasing \$3,045,611, leaving a net reduction in the book value of capital assets of \$2,877,277.

The District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles and furniture and equipment is detailed as follows:

Land	\$ 1,392,503
Land improvements	1,831,570
Buildings and additions	60,533,686
Furniture and equipment	4,232,594
Vehicles	<u>1,350,941</u>
Net Capital Assets	<u><u>\$ 69,341,294</u></u>

The District's "investment in capital assets, net of related debt" is a negative \$39,017,681 at June 30, 2005, resulting from the fact that significant amounts of new technology-related equipment which fall under the \$5,000 capitalization threshold of the District were purchased with the proceeds of recent bond issues and the necessity of the District to borrow from the State of Michigan's School Bond Loan Fund to finance current principal and interest repayment requirements due to statutory limitations on debt service property tax levies.

Long-Term Debt

At year end, the District had \$108.7 million in general obligation bonds and other long-term debt outstanding – a net reduction of \$5.8 million from June 30, 2004. The District advance refunded \$36,075,000 of its outstanding 1997 bond issue during the year resulting in a net present value savings of \$2,931,306 in future interest costs.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2005

The District bond rating for general obligation debt remains at "A3". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries. The District's other obligations include borrowings from school bond loan fund, installment purchase agreements, early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Voters with Rockford Public Schools approved a Park and Recreation Millage effective in June of 2004. This will result in annual revenue increase of approximately \$1,300,000 for the District in fiscal year 2005-06.
- Fiscal year 2005-06 foundation allowance has increased to \$175 for a total of \$6,875 per student. This marks the first time in over three years the student foundation allowance has started above \$6,700.
- Recent contract settlements have produced a more cost effective prescription drug plan which will save the District approximately \$600,000 in fiscal year 2005-06.
- For every dollar paid to employees throughout the year, the District pays a percentage into the Michigan Public Schools Employee Retirement System (MPERS). The rising cost of this expense, controlled by the State, is a significant cause for concern into the future. In 2004-05, the District paid 14.87% of every dollar of payroll into the MPERS. This amount will increase to 16.34% in 2005-06 and is projected to increase to nearly 19% in 2006-07.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Rockford Public Schools, 350 N. Main Street, Rockford, 49341.

BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 3,800
Cash equivalents (Note B)	2,278,016
Investments (Note B)	8,326,296
Taxes receivable (Note C)	419,018
Accounts receivable	19,651
Due from other governmental units (Note C)	9,645,832
Inventory (Note A)	115,597
Prepaid expenses	701
Total Current Assets	<u>20,808,911</u>
Noncurrent Assets	
Capital assets (Note E)	106,522,050
Less accumulated depreciation	<u>(37,180,756)</u>
Total Noncurrent Assets	<u>69,341,294</u>
Total Assets	<u>90,150,205</u>
Liabilities	
Current Liabilities	
Accounts payable	3,365,373
State aid loan payable (Note F)	6,000,000
Due to other governmental units	879,510
Payroll withholdings payable	33,063
Accrued interest payable	1,034,581
Salaries payable	2,568,739
Deferred revenue	79,308
Current portion of long term obligations	<u>4,078,207</u>
Total Current Liabilities	<u>18,038,781</u>
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	87,351,893
Durant non-plaintiff bonds payable	531,431
State school bond loan payable	16,172,096
Installment purchase agreements payable	-
Capital leases payable	25,872
Early retirement incentive	331,000
Accumulated sick leave	260,602
Unamortized bond discount	<u>301,937</u>
Total Noncurrent Liabilities	<u>104,974,831</u>
Total Liabilities	<u>123,013,612</u>
Net Assets	
Invested in capital assets, net of related debt	(39,017,681)
Restricted for:	
Debt service	708,656
Unrestricted	<u>5,445,618</u>
Total Net Assets	<u><u>\$(32,863,407)</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 36,718,270	\$ 104,711	\$ 5,039,896	\$(31,573,663)
Supporting services	23,160,854	101,636	1,170,305	(21,888,913)
Community services	1,914,981	1,562,229	-	(352,752)
Food service	2,078,745	1,525,716	370,607	(182,422)
Athletics	1,221,339	364,302	-	(857,037)
Other	2,516	-	-	(2,516)
Interest expense	5,215,052	-	-	(5,215,052)
Depreciation - unallocated	111,332	-	-	(111,332)
Total Governmental Activities	\$ 70,423,089	\$ 3,658,594	\$ 6,580,808	(60,183,687)
General Revenues				
Taxes:				
Property taxes, levied for general operations				5,966,517
Property taxes, levied for debt service				10,753,242
State school aid, unrestricted				47,703,000
Interest and investment earnings				223,114
Gain on sale of capital assets				5,451
Other				701,120
Total General Revenues				65,352,444
Change in Net Assets				5,168,757
Net Assets - Beginning of Year				(38,032,164)
Net Assets - End of Year				\$(32,863,407)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 3,800	\$ -	\$ 3,800
Cash equivalents (Note B)	780,543	1,497,473	2,278,016
Investments (Note B)	8,216,248	110,048	8,326,296
Taxes receivable (Note C)	286,518	132,500	419,018
Accounts receivable	9,813	9,838	19,651
Due from other funds (Note D)	88,301	57,073	145,374
Due from other governmental units (Note C)	9,632,955	12,877	9,645,832
Inventory (Note A)	48,805	66,792	115,597
Prepaid expenditures	701	-	701
Total Assets	<u><u>\$ 19,067,684</u></u>	<u><u>\$ 1,886,601</u></u>	<u><u>\$ 20,954,285</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 3,304,570	\$ 60,803	\$ 3,365,373
State aid loan payable (Note F)	6,000,000	-	6,000,000
Due to other funds (Note D)	57,073	88,301	145,374
Due to other governmental units	876,137	3,373	879,510
Payroll withholdings payable	33,063	-	33,063
Accrued interest payable	93,938	-	93,938
Salaries payable	2,553,099	15,640	2,568,739
Deferred revenue	365,826	132,500	498,326
Total Liabilities	<u>13,283,706</u>	<u>300,617</u>	<u>13,584,323</u>
Fund Balances			
Reserved for:			
Debt service	-	1,513,260	1,513,260
Unreserved:			
Designated	236,000	-	236,000
Undesignated, reported in:			
General fund	5,547,978	-	5,547,978
Special revenue funds	-	72,724	72,724
Total Fund Balances	<u>5,783,978</u>	<u>1,585,984</u>	<u>7,369,962</u>
Total Liabilities and Fund Balances	<u><u>\$ 19,067,684</u></u>	<u><u>\$ 1,886,601</u></u>	<u><u>\$ 20,954,285</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total governmental fund balances		\$ 7,369,962
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$106,522,050 and accumulated depreciation is \$37,180,756.		
		69,341,294
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		(301,937)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(90,898,203)	
Durant non-plaintiff bonds	(574,995)	
State school bond loan	(16,172,096)	
Installment purchase agreements	(346,104)	
Capital leases	(62,101)	
Early retirement incentive	(371,000)	
Accumulated sick leave	<u>(326,602)</u>	(108,751,101)
Accrued interest is not included as a liability in governmental funds.		
		(940,643)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>419,018</u>
Total net assets - governmental activities		<u><u>\$(32,863,407)</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

	General	Nonmajor	Total
Revenues			
Local sources	\$ 8,447,917	\$ 12,711,238	\$ 21,159,155
State sources	48,055,850	80,145	48,135,995
Federal sources	1,501,595	290,462	1,792,057
Interdistrict sources	4,355,756	-	4,355,756
Total Revenues	<u>62,361,118</u>	<u>13,081,845</u>	<u>75,442,963</u>
Expenditures			
Current:			
Instruction	34,336,309	-	34,336,309
Supporting services	19,738,120	-	19,738,120
Community services	1,932,383	-	1,932,383
Food service	-	1,987,041	1,987,041
Athletics	-	1,039,837	1,039,837
Capital outlay	-	8,970	8,970
Debt service:			
Principal repayment	443,129	4,611,586	5,054,715
Interest and fiscal charges	20,909	4,710,674	4,731,583
Bond issuance costs	-	287,060	287,060
Underwriter's discount	-	160,425	160,425
Interdistrict	3,339,103	-	3,339,103
Total Expenditures	<u>59,809,953</u>	<u>12,805,593</u>	<u>72,615,546</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,551,165</u>	<u>276,252</u>	<u>2,827,417</u>
Other Financing Sources (Uses)			
Refunding bond proceeds		34,875,000	34,875,000
Bond premium	-	2,786,368	2,786,368
Transfers in	-	675,459	675,459
Other	-	84,918	84,918
Payments to escrow agent	-	(38,111,946)	(38,111,946)
Transfers out	(675,459)	-	(675,459)
Other	(2,516)	-	(2,516)
Total Other Financing Sources (Uses)	<u>(677,975)</u>	<u>309,799</u>	<u>368,176</u>
Net Change in Fund Balances	1,873,190	586,051	2,459,241
Fund Balances, Beginning of Year	<u>3,910,788</u>	<u>999,933</u>	<u>4,910,721</u>
Fund Balances, End of Year	<u>\$ 5,783,978</u>	<u>\$ 1,585,984</u>	<u>\$ 7,369,962</u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2005

Net change in fund balances - total governmental funds \$ 2,459,241

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 168,334	
Depreciation expense	<u>(3,045,611)</u>	(2,877,277)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 63,965

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (35,371,699)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue (301,937)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of general obligation bonds	39,516,586	
Repayment of energy conservation notes	120,000	
Repayment of state school bond loan	1,170,000	
Repayment of installment purchase agreements	300,323	
Repayment of capital leases	<u>38,773</u>	41,145,682

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues, regardless of when it is paid. 13,228

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$205,436) exceeded the amounts earned (\$167,882).

37,554

Total changes in net assets - governmental activities

\$ 5,168,757

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 8,126,588	\$ 8,286,589	\$ 8,447,917	\$ 161,328
State sources	47,834,339	47,901,350	48,055,850	154,500
Federal sources	1,491,978	1,496,152	1,501,595	5,443
Interdistrict sources	3,456,361	4,309,525	4,355,756	46,231
Total Revenues	60,909,266	61,993,616	62,361,118	367,502
Expenditures				
Current:				
Instruction:				
Basic programs	29,507,048	29,511,894	28,963,736	548,158
Added needs	5,375,567	5,557,702	5,328,291	229,411
Adult education	246,937	246,937	44,282	202,655
Supporting services:				
Pupil services	3,342,813	1,343,462	1,307,607	35,855
Instructional staff services	2,219,704	2,299,177	2,257,289	41,888
General administrative services	669,280	576,874	519,155	57,719
School administrative services	3,628,537	3,676,370	3,660,364	16,006
Business services	1,219,630	1,202,090	1,417,040	(214,950)
Operation and maintenance services	6,696,407	6,584,316	6,217,787	366,529
Pupil transportation services	2,295,161	2,357,398	2,599,889	(242,491)
Central services	1,462,672	1,740,853	1,758,989	(18,136)
Community services	1,981,551	1,986,906	1,932,383	54,523
Debt service:				
Principal repayment	420,323	434,137	443,129	(8,992)
Interest and fiscal charges	36,104	37,499	20,909	16,590
Interdistrict	1,196,501	3,248,702	3,339,103	(90,401)
Total Expenditures	60,298,235	60,804,317	59,809,953	994,364
Excess (Deficiency) Of Revenues Over Expenditures	611,031	1,189,299	2,551,165	1,361,866
Other Financing Sources (Uses)				
Bond proceeds	85,429	85,429	-	(85,429)
Loan proceeds	68,000	68,000	-	(68,000)
Transfers out	(616,580)	(616,580)	(675,459)	(58,879)
Other	-	-	(2,516)	(2,516)
Total Other Financing Sources (Uses)	(463,151)	(463,151)	(677,975)	(214,824)
Net Change in Fund Balances	147,880	726,148	1,873,190	1,147,042
Fund Balances, July 1	3,910,788	3,910,788	3,910,788	-
Fund Balances, June 30	\$ 4,058,668	\$ 4,636,936	\$ 5,783,978	\$ 1,147,042

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Investments (Note B)	<u>\$ 373,243</u>	<u>\$ 513,582</u>
Liabilities		
Due to student groups	<u>-</u>	<u>\$ 513,582</u>
Net Assets		
Held in trust for: Individuals and organizations	<u>\$ 373,243</u>	

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2005

	Private Purpose Trust Fund
Additions	
Donations	\$ 40,838
Interest earnings	7,037
	<hr/>
Total Additions	47,875
	<hr/>
Deductions	
Endowment activities - scholarships	77,701
	<hr/>
Change In Net Assets	(29,826)
	<hr/>
Net Assets, Beginning of Year	403,069
	<hr/>
Net Assets, End of Year	\$ 373,243
	<hr/> <hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Note A – Summary of Significant Accounting Policies

Rockford Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 7,798 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Rockford Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1 Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

deficit. Rockford Public Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Rockford Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Associate Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them. These amendments were not significant to the total budgets.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2005 has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2005, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$371,000 and \$326,602, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Cash Equivalents

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Fifth Third Bank
3. Chase Bank One

Balances at June 30, 2005 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Governmental Funds	<u>\$ 2,278,016</u>
--------------------	---------------------

Cash equivalents consist of bank public funds checking and savings accounts.

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$2,278,016 and the bank balance was \$2,321,115. Of the bank balance, \$206,593 was covered by federal depository insurance and \$2,114,522 was uninsured.

Investments

As of June 30, 2005 the District had the following investments:

Investment Pool Accounts:	<u>Fair Value</u>
Michigan Liquid Asset Fund Plus	<u>\$ 9,213,121</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2004 ad valorem State Education Taxes generated within the Rockford Public School District, and paid to the State of Michigan, totaled \$7,479,304.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2004 and September, 2004. The 2004-05 "Foundation Allowance" for Rockford Public Schools was \$6,700 for 7,775 "Full Time Equivalent" students, generating \$48,066,054 in state aid payments to the District of which \$8,746,249 was paid to the District in July and August, 2005 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the City of Rockford and the Townships of Algoma, Cannon, Courtland, Grattan, Oakfield and the Charter Township of Plainfield, and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Total
2004	\$ 101,233	\$ 45,369	\$ 146,602
2003	102,937	48,753	151,690
2002	82,348	38,378	120,726
	<u>\$ 286,518</u>	<u>\$ 132,500</u>	<u>\$ 419,018</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Rockford Public Schools' electors had previously (September 24, 1991) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2004.

The District levied a 1.0 recreation millage and 8.50 mills for debt service purposes in 2004, applied on all taxable property in the District.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Taxable property in the District is assessed initially at 50% of true cash value (at December 31) by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables for year end expenditure allocations not reimbursed at June 30, 2005 are detailed as follows:

	Due From	Due To
Major Fund		
General Fund:		
Food Service Fund	\$ 87,617	\$ 50,332
Athletics Fund	684	6,741
Total Major Fund	88,301	57,073
Nonmajor Funds		
Food Service Fund:		
General Fund	50,332	87,617
Athletics Fund:		
General Fund	6,741	684
Total Nonmajor Funds	57,073	88,301
Total All Funds	\$ 145,374	\$ 145,374

Transfers between funds during the year ended June 30, 2005 were as follows:

	Transfers In	Transfers Out
Major Fund		
General Fund:		
Athletics Fund	\$ —	\$ 675,459
Nonmajor Fund		
Athletics Fund:		
General Fund	675,459	—
Total All Funds	\$ 675,459	\$ 675,459

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balances July 1, 2004	Additions	Deductions	Balances June 30, 2005
Capital assets not depreciated:				
Land	\$ 1,392,503	\$ —	\$ —	\$ 1,392,503
Capital assets being depreciated:				
Land improvements	4,443,706	—	—	4,443,706
Buildings and additions	85,789,123	—	—	85,789,123
Furniture and equipment	10,604,300	97,080	—	10,701,380
Vehicles	4,160,484	71,254	36,400	4,195,338
	<u>106,390,116</u>	<u>\$ 168,334</u>	<u>\$ 36,400</u>	<u>106,522,050</u>
Totals at historical cost				
	<u>106,390,116</u>	<u>\$ 168,334</u>	<u>\$ 36,400</u>	<u>106,522,050</u>
Less accumulated depreciation for:				
Land improvements	2,402,638	\$ 209,498	\$ —	2,612,136
Buildings and additions	23,201,039	2,054,398	—	25,255,437
Furniture and equipment	5,978,617	490,169	—	6,468,786
Vehicles	2,589,251	291,546	36,400	2,844,397
	<u>34,171,545</u>	<u>\$3,045,611</u>	<u>\$ 36,400</u>	<u>37,180,756</u>
Total accumulated depreciation				
	<u>34,171,545</u>	<u>\$3,045,611</u>	<u>\$ 36,400</u>	<u>37,180,756</u>
Net Capital Assets	<u><u>\$ 72,218,571</u></u>			<u><u>\$ 69,341,294</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 2,007,717
Supporting services	611,939
Community services	3,738
Food service	96,043
Athletics	214,841
Unallocated	111,332
	<u>\$ 3,045,611</u>

Note F – Short-term Debt

On August 20, 2004, the District repaid the \$7,400,000 August 21, 2003 State aid anticipation loan. On August 20, 2004 the District borrowed \$6,000,000, for cash flow purposes, in anticipation of State aid (interest at 1.57%) due in full on August 19, 2005. Total interest expense on the loans was \$118,592 for the fiscal year.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2005 are summarized as follows:

	Bond Issues	State School Bond Loan	Capital Leases/ Installment Purchase Agreements	Early Retirement Incentive/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 1,513,260	\$ —	\$ —	\$ —	\$ 1,513,260
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	574,995				574,995
General Fund	—	—	408,205	697,602	1,105,807
Debt Service Funds	89,384,943	16,172,096	—	—	105,557,039
Total Amounts Available and To Be Provided	\$ 91,473,198	\$16,172,096	\$ 408,205	\$ 697,602	\$108,751,101

Changes in long-term debt for the year ended June 30, 2005 are summarized as follows:

	Debt Outstanding July 1, 2004	Debt Added	Debt Retired	Debt Outstanding June 30, 2005
General obligation bonds:				
February 22, 1990	\$ 1,829,789	\$ —	\$ 396,586	\$ 1,433,203
April 2, 1996	2,540,000	—	165,000	2,375,000
August 1, 1997	45,750,000	—	37,750,000	8,000,000
February 15, 2002	12,295,000	—	5,000	12,290,000
March 13, 2002	33,125,000	—	1,200,000	31,925,000
March 3, 2005	—	34,875,000	—	34,875,000
Durant non-plaintiff bonds:				
November 13, 1998	574,995	—	—	574,995
Energy conservation notes:				
January 1, 1996	120,000	—	120,000	—
State school bond loan	16,845,398	496,697	1,170,000	16,172,096
Installment purchase agreements	646,427	—	300,323	346,104
Capital leases	100,874	—	38,773	62,101
Early retirement incentive	394,000	116,000	139,000	371,000
Accumulated sick leave	341,156	51,882	66,436	326,602
	\$ 114,562,639	\$35,359,579	\$ 41,351,118	\$ 108,751,101

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Long-term bonds and installment purchase agreements outstanding at June 30, 2005 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$12,222,462 1990 Building and Site Refunding: Annual maturities of \$283M to \$490M	May 1, 2009	8.10	\$ 1,433,203	\$ 366,310
\$3,480M 1996 General Obligation Refunding: Annual maturities of \$150M to \$205M	May 1, 2020	4.70 – 5.375	2,375,000	150,000
\$66,500M 1997 Building and Site: Annual maturities of \$1,850M to \$2,150M	May 1, 2009	6.00 – 6.50	8,000,000	1,850,000
\$12,300M 2002 General Obligation Refunding: Annual maturities of \$5M to \$2,630M	May 1, 2014	3.25 – 5.00	12,290,000	5,000
\$34,880M 2002 General Obligation Refunding: Annual maturities of \$330M to \$3,055M	May 1, 2019	3.25 – 5.00	31,925,000	1,175,000
\$34,875M 2005 General Obligation Refunding: Annual maturities of \$25K to \$2,780M	May 1, 2027	2.75 – 5.00	34,875,000	—
Durant Non-plaintiff Bonds				
\$900,023 1998 Durant School Improvement: Annual maturities of \$43,564 to \$215,019	May 15, 2013	4.761353	574,995	43,564
Installment Purchase Agreements				
\$496,104 2003 School Buses: Annual maturity of \$346,104	July 21, 2005	2.045	346,104	346,104
Capital Leases				
\$69,879 2003 Musical Instruments: Annual installments of \$23,293	July 1, 2005	N/A	23,293	23,293
\$64,680 2003 Equipment: Monthly installments of \$1,078	July 15, 2008	N/A	38,808	12,936
			<u>\$ 91,881,403</u>	<u>\$ 3,972,207</u>

The District is required to obtain loans from the Michigan School Bond Loan fund for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, \$496,697 of accrued interest was added to the District's liability to the Fund and the District repaid \$1,170,000 of its prior liability to the Fund. At June 30, 2005, the District owed the Fund a total of \$16,172,096.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

The annual requirements to pay principal and interest on long-term bonds, notes and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2006	\$ 3,972,207	\$ 5,601,614	\$ 9,573,821
2007	3,862,229	5,067,296	8,929,525
2008	3,933,792	4,951,000	8,884,792
2009	3,200,274	5,598,671	8,798,945
2010	5,190,019	3,747,651	8,937,670
2011	5,194,971	3,446,941	8,641,912
2012	5,352,585	3,187,149	8,539,734
2013	5,480,326	2,919,438	8,399,764
2014	5,540,000	2,671,636	8,211,636
2015	5,695,000	2,421,272	8,116,272
2016	5,775,000	2,147,020	7,922,020
2017	5,835,000	1,866,258	7,701,258
2018	5,855,000	1,612,965	7,467,965
2019	5,885,000	1,350,874	7,235,874
2020	2,820,000	1,056,062	3,876,062
2021	2,655,000	914,500	3,569,500
2022	2,640,000	781,750	3,421,750
2023	2,630,000	649,750	3,279,750
2024	2,615,000	518,250	3,133,250
2025	2,600,000	387,500	2,987,500
2026	2,585,000	257,500	2,842,500
2027	2,565,000	128,250	2,693,250
	<u>\$ 91,881,403</u>	<u>\$ 51,283,347</u>	<u>\$143,164,750</u>

Defeasance of Debt – On February 8, 2002 the District defeased 1997 general obligation serial bonds by placing the proceeds of newly issued bonds in an irrevocable trust to provide for all future debt service payments on the old bonds, with final payment scheduled on May 1, 2007. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, \$12,250,000 of 1997 bonds outstanding is considered defeased.

On March 3, 2005, the District issued \$34,875,000 in general obligation bonds with a true interest cost of 4.1785635% to advance refund \$36,075,000 of outstanding 1997 general obligation bonds with an effective interest rate of 5.3754991% resulting in a net present value savings of \$2,931,306. The net proceeds (\$38,561,368 after the net premium of \$2,786,368 and the District contribution of \$900,000 and payment of \$447,585 in underwriting fees, insurance and other issuance costs) were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2007). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$39,878,138 on the defeased debt at June 30, 2005 are detailed in the following schedule:

	<u>Cost</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. Government Securities	<u>\$37,370,862</u>	<u>\$37,370,862</u>	<u>\$37,370,862</u>

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2005 was \$35,003,844. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 12.99% for the fiscal year ending September 30, 2004 and 14.87% for the fiscal year beginning October 1, 2004. The District's contributions to the plan for the fiscal years ended June 30, 2005, 2004 and 2003 were \$5,170,654, \$4,593,008 and \$4,712,380, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2003 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$44,769. The MPERS' net assets available for benefits on that date were \$38,726 leaving an unfunded pension benefit obligation of \$6,043. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2004 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,812 from September 30, 2002 to September 30, 2003. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$287,571 in premiums to the Trust for the year ended June 30, 2005.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 19 districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of an \$800,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2005, there were no material pending claims against the District. The District paid \$299,295 in premiums to the Fund for the year ended June 30, 2005.

Health, life, and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2005

Note J – Stewardship, Compliance and Accountability

The following District fund had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2005, as follows:

	Budget	Actual	Unfavorable Variance
Special Revenue Funds			
Food Service Fund	\$ 1,924,338	\$ 1,987,041	\$ 62,703
Athletics Fund	966,925	1,039,837	72,912

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash	\$ 3,800	\$ 3,800
Cash equivalents	780,543	316,917
Investments	8,216,248	7,491,441
Receivables:		
Taxes	286,518	242,216
Accounts	9,813	17,991
Due from other funds	88,301	17,732
Due from other governmental units	9,632,955	9,585,186
Inventory	48,805	43,246
Prepaid expenditures	701	2,558
Total Assets	<u><u>\$ 19,067,684</u></u>	<u><u>\$ 17,721,087</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,304,570	\$ 2,509,963
State aid loan payable	6,000,000	7,400,000
Due to other funds	57,073	30,998
Due to other governmental units	876,137	661,033
Payroll withholdings payable	33,063	31,944
Accrued interest payable	93,938	76,220
Salaries payable	2,553,099	2,755,982
Deferred revenue	365,826	344,159
Total Liabilities	<u>13,283,706</u>	<u>13,810,299</u>
Fund Balances		
Unreserved:		
Designated for land acquisition	236,000	236,000
Undesignated	5,547,978	3,674,788
Total Fund Balances	<u>5,783,978</u>	<u>3,910,788</u>
Total Liabilities and Fund Balances	<u><u>\$ 19,067,684</u></u>	<u><u>\$ 17,721,087</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2005 and 2004

	2005	2004
Local sources:		
Property taxes:		
Operating	\$ 4,642,253	\$ 4,464,997
Recreation	1,242,791	-
Industrial facilities taxes	17,028	-
Delinquent property taxes	8,958	16,416
Other property taxes	378	9,249
Interest on delinquent taxes	10,807	10,568
	<u>5,922,215</u>	<u>4,501,230</u>
Interest earnings:		
Interest on deposits and investments	135,473	52,112
Other local revenue:		
Adult/community education fees	1,255,238	1,111,622
Driver education fees	104,711	76,985
Summer reading/enrichment	-	7,133
Third party testing	85,569	72,166
Transportation testing fees	38,224	34,375
Beverage consortium commissions	68,074	43,684
Child care fees	306,991	437,317
Universal service credit	63,412	53,559
Rental of school facilities	174,032	201,947
Donations	266,336	171,182
Sale of school property	5,451	605,103
Insurance reimbursements	18,552	-
Refunds of prior year expenditures	(8,864)	12,510
Miscellaneous	12,503	12,577
	<u>2,390,229</u>	<u>2,840,160</u>
Total local sources	8,447,917	7,393,502
State sources:		
State school aid	47,998,898	47,617,313
Driver education	5,405	47,910
School improvement	3,915	3,825
FICA/retirement reimbursement	47,632	39,856
	<u>48,055,850</u>	<u>47,708,904</u>
Total state sources		
Federal sources:		
Title I	243,745	247,101
Title IIA	162,493	162,291
Title IID	2,759	4,733
Title V	7,655	5,416
QAR grant	15,000	19,969
I.D.E.A. program	1,044,083	960,421
Drug free schools	17,730	11,056
Child care food program	5,506	5,584
Medicaid - school based	2,624	-
	<u>1,501,595</u>	<u>1,416,571</u>
Total federal sources		

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Interdistrict sources:		
Special education - county	\$ 3,006,699	\$ 2,068,420
Special education - tuition	86,704	135,683
Special education - transportation	1,170,305	48,467
Durant settlement reimbursements	21,013	24,118
Medicaid fee for service	34,020	-
Career preparation	33,500	29,877
Other	<u>3,515</u>	<u>2,064</u>
Total interdistrict sources	<u>4,355,756</u>	<u>2,308,629</u>
 Total Revenues	 <u><u>\$ 62,361,118</u></u>	 <u><u>\$ 58,827,606</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 8,008,406	\$ 7,808,768
Paraprofessionals	418,778	398,547
Substitutes	282,875	211,729
Severance pay	-	16,445
Employee benefits:		
Employee insurance	1,481,351	1,451,502
Early retirement incentive	15,000	87,000
Tuition reimbursement	22,598	40,780
Retirement	1,283,265	1,095,038
Social Security	665,263	643,415
Workers' compensation insurance	38,168	24,057
Unemployment compensation	232	577
Cash in lieu of benefits	83,738	42,745
Purchased services	25	2,430
Local travel and meals	2,936	1,429
Workshops and conferences	5,149	1,079
Equipment repair and maintenance	1,754	771
Teaching supplies	160,380	137,744
Testing supplies	-	440
Textbooks	29,174	19,813
Other supplies and materials	38,328	29,601
Equipment and furniture	13,302	15,175
	12,550,722	12,029,085
Middle school:		
Salaries:		
Teachers	4,766,481	4,473,718
Coaches	2,220	966
Paraprofessionals	47,938	37,025
Substitutes	13,134	102,908
Severance pay	76,516	-
Employee benefits:		
Employee insurance	812,386	821,357
Early retirement incentive	58,500	77,500
Tuition reimbursement	9,766	16,683
Retirement	721,629	598,137
Social Security	373,653	353,896
Workers' compensation insurance	21,653	14,735
Unemployment compensation	143	264
Cash in lieu of benefits	26,122	8,317
Purchased services	9,985	10,000
Local travel and meals	1,241	1,081
Workshops and conferences	2,691	740
Equipment repair and maintenance	1,329	2,256
Teaching supplies	102,035	83,016
Testing supplies	20	53
Textbooks	17,690	7,515

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Middle school: (Continued)		
Other supplies and materials	\$ 12,524	\$ 5,121
Equipment and furniture	2,000	-
	<u>7,079,656</u>	<u>6,615,288</u>
High school:		
Salaries:		
Teachers	6,136,521	5,908,275
Coaches	2,415	3,503
Paraprofessionals	94,865	57,777
Substitutes	100,939	88,447
Severance pay	5,062	-
Employee benefits:		
Employee insurance	1,143,891	1,116,746
Early retirement incentive	51,501	47,500
Tuition reimbursement	22,244	23,826
Retirement	929,101	786,965
Social Security	482,950	464,297
Workers' compensation insurance	27,883	18,388
Unemployment compensation	4,535	7,142
Cash in lieu of benefits	18,720	8,825
Purchased services	-	800
Local travel and meals	1,466	1,217
Workshops and conferences	2,394	691
Computer software	-	7,026
Tuition	12,258	12,928
Transportation insurance	3,587	2,966
Equipment rental	19,668	18,150
Teaching supplies	136,389	92,732
Textbooks	15,179	18,860
Gasoline, oil and grease	-	1,796
Other supplies and materials	32,886	21,403
Equipment and furniture	10,695	71,927
Dues and fees	5,766	4,960
	<u>9,260,915</u>	<u>8,787,147</u>
Preschool:		
Paraprofessionals salaries	42,748	41,392
Employee benefits:		
Employee insurance	6,009	-
Retirement	5,947	-
Social Security	2,845	2,789
Workers' compensation insurance	188	132
Other supplies and materials	14,216	822
	<u>71,953</u>	<u>45,135</u>
Summer school:		
Salaries:		
Teachers	-	3,916
Paraprofessionals	400	914
Employee benefits:		
Retirement	59	627
Social Security	31	370
Vehicle repair and maintenance	-	4,164

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Summer school: (Continued)		
Teaching supplies	\$ -	\$ 85
Other supplies and materials	-	1,449
	<u>490</u>	<u>11,525</u>
Total basic programs	28,963,736	27,488,180
Added needs:		
Special education:		
Salaries:		
Teachers	2,603,204	2,563,383
Paraprofessionals	486,080	494,936
Substitutes	56,410	53,375
Severance pay	4,000	9,336
Employee benefits:		
Employee insurance	566,772	566,369
Early retirement incentive	7,500	-
Tuition reimbursement	2,917	1,500
Retirement	462,670	404,486
Social Security	241,661	238,516
Workers' compensation insurance	10,583	8,706
Cash in lieu of benefits	27,889	16,966
Purchased services	980	6,667
Local travel	58	4,489
Workshops and conferences	2,963	2,616
Teaching supplies	24,233	16,594
Other supplies and materials	882	638
Equipment and furniture	-	1,464
	<u>4,498,802</u>	<u>4,390,041</u>
Compensatory education:		
Salaries:		
Teachers	497,648	480,762
Substitutes	18,860	14,189
Employee benefits:		
Employee insurance	86,247	70,718
Retirement	75,930	65,098
Social Security	39,631	37,365
Workers' compensation insurance	148	909
Cash in lieu of benefits	5,200	2,184
Purchased services	5,312	6,500
Local travel	421	2,669
Workshops and conferences	11,480	7,439
Teaching supplies	1,938	7,921
Other supplies and materials	1,159	1,441
Dues and fees	-	440
	<u>743,974</u>	<u>697,635</u>
Vocational education:		
Salaries:		
Teachers	650	1,354
Substitutes	788	5,407
Employee benefits:		
Retirement	158	852
Social Security	219	516

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Vocational education: (Continued)		
Purchased services	\$ 14,149	\$ 7,274
Local travel	1,287	1,033
Workshops and conferences	5,686	3,169
Teaching supplies	455	-
Other supplies and materials	26,097	27,157
Equipment and furniture	36,026	26,623
	<u>85,515</u>	<u>73,385</u>
Total added needs	5,328,291	5,161,061
Adult education:		
Basic:		
Salaries:		
Teachers	20,858	88,451
Paraprofessionals	4,681	73,604
Substitutes	29	-
Severance pay	2,992	-
Employee benefits:		
Employee insurance	854	34,130
Early retirement incentive	7,001	-
Retirement	1,896	19,585
Social Security	2,006	12,197
Workers' compensation insurance	113	-
Cash in lieu of benefits	649	454
Travel and conferences	84	85
Printing and binding	895	-
Other supplies and materials	2,049	1,365
Dues and fees	175	-
Total adult education	<u>44,282</u>	<u>229,871</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries:		
Counselors	621,457	618,231
Clerical	166,670	162,405
Substitutes	9,360	-
Severance pay	-	3,750
Employee benefits:		
Employee insurance	153,657	162,055
Retirement	116,384	100,241
Social Security	61,081	59,795
Workers' compensation insurance	3,166	2,503
Cash in lieu of benefits	2,816	1,092
Travel and conferences	776	152
Mailing and postage	10,853	12,552
Equipment repair and maintenance	265	370
Teaching supplies	782	818
Other supplies and materials	1,179	693
	<u>1,148,446</u>	<u>1,124,657</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Occupational therapist services:		
Salaries:		
Occupational therapist	\$ 1,986	\$ 68,066
Nursing	-	38,398
Clerical	19,007	20,194
Paraprofessionals	43,180	12,193
Employee benefits:		
Employee insurance	28,971	32,942
Tuition reimbursement	718	-
Retirement	9,438	18,046
Social Security	4,886	10,108
Workers' compensation insurance	245	2,792
Cash in lieu of benefits	1,744	2,137
Travel and conferences	3,394	2,658
Mailing and postage	192	82
Equipment rental	275	307
Teaching supplies	2,762	-
Miscellaneous supplies	4,469	1,158
	121,267	209,081
Psychological services:		
Salaries:		
Psychologists salaries	512	288,442
Severance pay	-	1,791
Employee benefits:		
Employee insurance	(4,129)	41,826
Early retirement incentive	-	11,001
Tuition reimbursement	276	-
Retirement	67	37,469
Social Security	44	21,703
Workers' compensation insurance	2	920
Cash in lieu of benefits	-	1,365
Travel and conferences	3,182	672
Teaching supplies	3,328	-
Other supplies and materials	797	9,500
	4,079	414,689
Speech pathology services:		
Speech pathologists salaries	-	389,727
Employee benefits:		
Employee insurance	(4,419)	47,833
Retirement		50,645
Social Security	5	29,967
Workers' compensation insurance	-	1,243
Cash in lieu of benefits	-	2,538
Travel and conferences	813	464
Teaching supplies	6,999	2,688
Testing supplies	-	1,512
Other supplies and materials	1,548	-
	4,946	526,617

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Social worker services:		
Social workers salaries	\$ -	\$ 324,844
Employee benefits:		
Employee insurance	(3,403)	36,908
Retirement	-	42,197
Social Security	64	24,047
Workers' compensation insurance	-	1,036
Cash in lieu of benefits	-	1,638
Travel and conferences	-	493
Teaching supplies	2,325	-
Other supplies and materials	487	150
	(527)	431,313
Visual aid services:		
Teaching supplies	-	405
Teacher consultant services:		
Salaries:		
Teacher consultants	22,300	271,360
Employee benefits:		
Employee insurance	(185)	40,983
Early retirement incentive	-	10,000
Tuition reimbursement	-	242
Retirement	3,316	35,250
Social Security	1,721	21,434
Workers' compensation insurance	98	865
Cash in lieu of benefits	-	773
Travel and conferences	-	2,264
Teaching supplies	2,146	1,834
	29,396	385,005
Total pupil services	1,307,607	3,091,767
Instructional staff services:		
Curriculum services:		
Salaries:		
Administrative and clerical	191,816	202,949
Substitutes	36,168	19,396
Employee benefits:		
Employee insurance	15,697	12,510
Retirement	30,704	26,707
Social Security	14,517	14,226
Workers' compensation insurance	924	677
Cash in lieu of benefits	4,800	4,800
Purchased services	60	18
Local travel and meals	5,068	3,229
Workshops and conferences	26,301	14,829
Mailing and postage	1,089	464
Equipment rental	68	389
Teaching supplies	11,496	10,828
Textbooks	-	60,728
Other supplies and materials	109,288	15,099

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Curriculum services: (Coontinued)		
Equipment and furniture	\$ 17,737	\$ 239
Dues and fees	244	110
	<u>465,977</u>	<u>387,198</u>
Library:		
Salaries:		
Director	75,825	73,604
Librarians	174,333	163,478
Clerical	100,766	101,183
Paraprofessionals	273,647	279,965
Substitutes	165	-
Employee benefits:		
Employee insurance	156,443	174,207
Tuition reimbursement	-	1,589
Retirement	91,915	80,313
Social Security	48,644	48,067
Workers' compensation insurance	2,549	1,983
Cash in lieu of benefits	14,883	12,529
Travel and conferences	953	1,490
Mailing and postage	73	-
Computer software	-	12,892
Equipment repair and maintenance	4,804	13,975
Teaching supplies	1,341	422
Library books	158,261	130,077
Periodicals	45	-
Other supplies and materials	26,690	4,926
Other improvements	521	-
Equipment and furniture	10,412	10,717
	<u>1,142,270</u>	<u>1,111,417</u>
Educational television:		
Director salary	26,585	25,925
Employee benefits:		
Employee insurance	13,171	4,883
Retirement	3,857	3,369
Social Security	2,034	2,001
Workers' compensation insurance	112	78
Cash in lieu of benefits	-	460
Purchased services	400	-
Mailing and postage	32	19
Computer software	-	60
Equipment repair and maintenance	191	-
Other supplies and materials	1,046	497
Equipment and furniture	14,204	11,458
Dues and fees	-	10
	<u>61,632</u>	<u>48,760</u>
Instructional technology:		
Salaries:		
Director	12,568	-
Clerical	5,624	10,675
Paraprofessionals	103,248	89,702
Technicians	5,022	4,543
Substitutes	899	112

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Instructional technology: (Continued)		
Employee benefits:		
Employee insurance	\$ 52,544	\$ 52,799
Retirement	17,466	13,092
Social Security	9,729	7,955
Workers' compensation insurance	546	331
Cash in lieu of benefits	3,055	2,030
Purchased services	-	328
Travel and conferences	-	299
Computer software	-	250
Other supplies and materials	39	562
	210,740	182,678
Supervision and direction of instruction:		
Salaries:		
Directors	155,749	154,324
Clerical	76,098	74,281
Substitutes	150	-
Employee benefits:		
Employee insurance	67,183	53,948
Early retirement incentive	-	10,001
Tuition reimbursement	2,343	500
Retirement	33,814	29,771
Social Security	17,265	17,511
Workers' compensation insurance	867	531
Staff services	72	3,543
Data processing	1,070	-
Local travel	3,420	-
Travel and conferences	668	424
Mailing and postage	483	-
Equipment repair and maintenance	488	390
Equipment rental	422	248
Teaching supplies	2,503	715
Other supplies and materials	4,773	1,314
Equipment and furniture	3,282	-
Dues and fees	386	232
Miscellaneous	1,719	1,328
	372,755	349,061
Other instructional staff services:		
Substitutes salaries	-	3,160
Employee benefits:		
Retirement	-	410
Social Security	-	242
Travel and conferences	3,915	-
	3,915	3,812
Total instructional staff services	2,257,289	2,082,926
General administrative services:		
Board of education:		
Employee insurance	7	-
Tuition reimbursement	13,248	-
Staff services	8,000	1,200

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Board of education: (Continued)		
Management services	\$ 850	\$ -
Legal services	25,969	25,930
Audit services	36,685	33,749
Election services	11,818	14,351
Local travel and meals	6,435	4,546
Workshops and conferences	1,547	10,058
Mailing and postage	1,608	4,276
Communications	27,830	37,054
Advertising	3,175	4,253
Printing and binding	2,285	738
Equipment repair and maintenance	15,044	162,871
Equipment rental	1,224	-
Other supplies and materials	11,602	5,486
Dues and fees	10,505	8,633
	<u>177,832</u>	<u>313,145</u>
Executive administration:		
Administrative and clerical salaries	222,115	209,644
Employee benefits:		
Employee insurance	40,529	35,825
Retirement	31,957	27,233
Social Security	12,119	11,522
Workers' compensation insurance	876	675
Travel and conferences	16,795	15,021
Mailing and postage	273	927
Other purchased services	7,515	-
Office supplies	4,897	5,088
Equipment and furniture	-	239
Dues and fees	1,931	2,323
Miscellaneous	2,316	1,264
	<u>341,323</u>	<u>309,761</u>
Total general administrative services	519,155	622,906
School administrative services:		
Office of the principal:		
Salaries:		
Principals	1,675,563	1,580,333
Clerical	779,253	738,591
Paraprofessionals	4,728	3,356
Substitutes	18,727	23,870
Severance pay	2,902	-
Employee benefits:		
Employee insurance	493,784	479,489
Early retirement incentive	20,001	22,500
Tuition reimbursement	-	1,750
Retirement	362,135	304,688
Social Security	187,672	177,812
Workers' compensation insurance	9,352	7,555
Cash in lieu of benefits	16,529	23,085
Local travel and meals	8,042	8,033

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Office of the principal: (Continued)		
Workshops and conferences	\$ 4,464	\$ 1,332
Mailing and postage	20,131	19,403
Printing and binding	9,336	7,778
Equipment repair and maintenance	375	733
Other supplies and materials	35,671	19,494
Equipment and furniture	-	100
Dues and fees	11,699	12,805
Total school administrative services	3,660,364	3,432,707
Business services:		
Fiscal services:		
Administrative and accounting salaries	516,614	500,127
Employee benefits:		
Employee insurance	118,503	89,236
Early retirement incentive	-	47,853
Tuition reimbursement	1,620	-
Retirement	74,631	63,244
Social Security	38,433	33,706
Workers' compensation insurance	2,188	1,557
Cash in lieu of benefits	6,641	8,422
Staff services	597	149
Management services	40,150	38,623
Travel and conferences	1,282	1,718
Mailing and postage	6,442	6,350
Equipment repair and maintenance	301	609
Equipment rental	818	606
Other supplies and materials	13,398	12,623
Equipment and furniture	-	239
Dues and fees	2,089	535
	823,707	805,597
Document center:		
Salaries:		
Clerical	28,698	28,257
Paraprofessionals	18,487	17,414
Employee benefits:		
Employee insurance	22,932	19,162
Retirement	6,884	5,933
Social Security	3,609	3,527
Workers' compensation insurance	147	146
Cash in lieu of benefits	-	430
Equipment repair and maintenance	155,953	154,030
Other supplies and materials	61,697	52,934
Equipment and furniture	-	72,312
	298,407	354,145
Other business services:		
Interest on short term debt	118,592	106,403
Property tax refunds	176,334	25,300
	294,926	131,703
Total business services	1,417,040	1,291,445

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Assistant directors	156,565	174,716
Clerical	48,527	46,048
Custodial	1,347,353	1,234,512
Maintenance	325,135	342,107
Substitutes	73,163	86,633
Severance pay	2,395	915
Employee benefits:		
Employee insurance	610,378	542,887
Retirement	280,916	245,849
Social Security	149,179	144,376
Workers' compensation insurance	74,673	95,488
Unemployment compensation	8,326	9,411
Cash in lieu of benefits	10,410	7,349
Purchased services	126,931	1,060
Staff services	180	-
Physical exams	85	-
Travel and conferences	7,790	6,227
Telephone	88,985	110,913
Mailing and postage	140	65
Advertising	507	-
Water and sewage	130,194	145,802
Waste and trash disposal	55,794	49,796
Building insurance	287,571	285,360
Vehicle insurance	1,023	6,001
Land and building repair and maintenance	315,322	212,599
Equipment repair and maintenance	146,235	132,758
Vehicle repair and maintenance	15,668	1,466
Equipment rental	14,052	36,611
Heating	394,721	339,562
Electricity	664,453	659,972
Gasoline, oil and grease	143	36,658
Tires, tubes and batteries	443	419
Vehicle repair parts	2,071	-
Small tools	5,435	3,033
Uniforms	5,183	4,910
Other supplies and materials	298,157	351,674
Equipment and furniture	6,311	33,414
Vehicles	71,254	-
Dues and fees	1,063	943
	5,726,731	5,349,534
Security services:		
Salaries:		
Assistant director	48,400	47,452
Security	220,824	206,420
Clerical	27,889	25,324
Substitutes	447	1,561

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Security services: (Continued)		
Employee benefits:		
Employee insurance	\$ 101,006	\$ 64,115
Retirement	43,379	33,776
Social Security	22,961	20,218
Workers' compensation insurance	10,239	11,845
Unemployment compensation	-	125
Cash in lieu of benefits	3,331	4,120
Professional services	6,240	7,280
Travel and conferences	2,997	2,180
Equipment repair and maintenance	2,168	4,199
Equipment rental	695	547
Uniforms	1,997	1,234
Other supplies and materials	(1,517)	(10,081)
Equipment and furniture	-	2,468
	<u>491,056</u>	<u>422,783</u>
Total operation and maintenance services	6,217,787	5,772,317
Pupil transportation services:		
Pupil transportation:		
Salaries:		
Assistant directors	109,304	106,898
Drivers	987,910	913,121
Mechanics	112,552	117,869
Clerical	98,161	99,158
Paraprofessionals	52,376	56,722
Substitutes	25,744	68,182
Severance pay	9,120	5,551
Employee benefits:		
Employee insurance	335,474	350,508
Physical examinations	4,202	8,066
Retirement	202,108	178,548
Social Security	106,423	103,717
Workers' compensation insurance	71,209	83,788
Unemployment compensation	4,864	5,539
Cash in lieu of benefits	32,630	19,247
Staff services	3,000	-
Travel and conferences	6,689	5,355
Mailing and postage	1,720	208
Printing and binding	573	-
Transportation insurance	1,849	20,770
Equipment repair and maintenance	3,076	10,700
Vehicle repair and maintenance	190,355	145,345
Equipment rental	3,873	1,336
Uniforms	710	2,299
Gasoline, oil and grease	187,704	139,114
Tires, tubes and batteries	32,935	21,291
Other supplies and materials	5,055	9,684
Small tools	675	442
Equipment and furniture	3,350	853

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Pupil transportation: (Continued)		
Dues and fees	\$ 1,416	\$ 348
New buses	-	496,104
Miscellaneous	4,832	5,214
Total pupil transportation services	2,599,889	2,975,977
Central services:		
Personnel services:		
Administrative and clerical salaries	164,208	249,598
Severance pay	3,158	-
Employee benefits:		
Employee insurance	45,708	43,499
Early retirement incentive	41,846	-
Retirement	21,990	32,374
Social Security	9,429	15,858
Workers' compensation insurance	535	771
Cash in lieu of benefits	2,000	5,114
Staff services	5,164	5,522
Management services	95,909	-
Local travel and meals	8,944	6,187
Workshops and conferences	9,125	2,916
Mailing and postage	695	495
Advertising	150	416
Equipment rental	105	377
Other supplies and materials	12,634	10,309
Equipment and furniture	-	239
Dues and fees	1,257	400
	422,857	374,075
Operational technology services:		
Salaries:		
Director	70,685	70,845
Computer technicians	261,436	322,885
Employee benefits:		
Employee insurance	87,563	81,440
Retirement	43,762	51,146
Social Security	25,374	29,690
Workers' compensation insurance	1,461	1,255
Cash in lieu of benefits	927	285
Data processing services	181,359	197,183
Technology consulting	168,589	-
Local travel and meals	4,395	3,458
Workshops and conferences	5,221	2,105
Mailing and postage	-	24
Computer software	191,504	155,384
Equipment repair and maintenance	8,119	53,462
Equipment rental	3,159	2,783
Other supplies and materials	53,493	16,531
New equipment and furniture	229,085	-
	1,336,132	988,476
Total central services	1,758,989	1,362,551

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Community services:		
Community education, pool, CDL testing:		
Salaries:		
Assistant director	121,029	58,141
Supervisors	42,421	74,327
Swim instruction	41,014	41,318
Life guards	144,176	60,416
Recreation	191	253
Clerical	44,270	8,049
Paraprofessionals	11,840	11,870
CDL testing	46,985	39,766
Employee benefits:		
Employee insurance	56,935	38,053
Retirement	53,109	26,051
Social Security	30,713	17,717
Workers' compensation insurance	5,051	6,684
Cash in lieu of benefits	325	1,811
Purchased services	-	54
Travel and conferences	1,971	2,268
Mailing and postage	841	860
Computer software	-	45
Advertising	895	-
Equipment repair and maintenance	-	250
Equipment rental	505	512
Other supplies and materials	7,231	4,996
Equipment and furniture	552	-
Dues and fees	161	131
	610,215	393,572
Leisure time activities:		
Salaries:		
Assistant directors	116,149	87,295
Supervisor	25,976	22,702
Teachers	73,000	73,235
Recreation	24,458	24,228
Officials	44,694	8,049
Paraprofessionals	41,681	41,816
Employee benefits:		
Employee insurance	61,126	44,860
Tuition reimbursement	-	810
Retirement	43,969	40,176
Social Security	23,242	20,695
Workers' compensation insurance	2,308	801
Unemployment compensation	440	85
Cash in lieu of benefits	1,235	848
Purchased services	71,973	73,136
Travel and conferences	1,358	1,748
Mailing and postage	6,129	6,620
Equipment repair and maintenance	193	568
Equipment rental	372	373
Teaching supplies	962	717

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2005 and 2004

	2005	2004
Leisure time activities: (Continued)		
Other supplies and materials	\$ 41,296	\$ 35,112
Equipment and furniture	10,209	-
Dues and fees	3,052	30
Miscellaneous	23,554	18,872
Senior citizen tours	-	18,107
Trophies and medals	-	576
	<u>617,376</u>	<u>521,459</u>
Custody and care of children:		
Salaries:		
Assistant director	34,318	33,480
Paraprofessionals	442,760	603,411
Employee benefits:		
Employee insurance	13,317	7,862
Retirement	92,344	78,424
Social Security	49,903	48,233
Workers' compensation insurance	2,772	1,919
Mailing and postage	1,925	256
Equipment repair and maintenance	323	131
Other supplies and materials	41,548	48,124
Equipment and furniture	25,582	13,204
	<u>704,792</u>	<u>835,044</u>
Total community services	1,932,383	1,750,075
Debt service:		
Principal repayment	443,129	439,136
Interest and fiscal charges	20,909	38,172
Total debt service	<u>464,038</u>	<u>477,308</u>
Interdistrict:		
Special education - tuition	424,469	501,188
Special education - transportation	1,001,582	832,219
Special education - itinerants	1,913,052	-
Total interdistrict	<u>3,339,103</u>	<u>1,333,407</u>
Total Expenditures	<u><u>\$ 59,809,953</u></u>	<u><u>\$ 57,072,498</u></u>

NONMAJOR FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2005

	Special Revenue		1990	1996
	Food Service	Athletics		
Assets				
Cash equivalents	\$ -	\$ 4,607	\$ 89,341	\$ 45,439
Investments	102,441	90	1,213	1,252
Taxes receivable	-	-	17,829	5,359
Accounts receivable	2,501	7,337	-	-
Due from other funds	50,332	6,741	-	-
Due from other governmental units	-	-	1,577	355
Inventory	66,792	-	-	-
Total Assets	\$ 222,066	\$ 18,775	\$ 109,960	\$ 52,405
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 58,781	\$ 2,022	\$ -	\$ -
Due to other funds	87,617	684	-	-
Due to other governmental units	541	2,832	-	-
Salaries payable	2,403	13,237	-	-
Deferred revenue	-	-	17,829	5,359
Total Liabilities	149,342	18,775	17,829	5,359
Fund Balances				
Reserved for debt service	-	-	92,131	47,046
Reserved for capital outlay	-	-	-	-
Unreserved:				
Undesignated	72,724	-	-	-
Total Fund Balances	72,724	-	92,131	47,046
Total Liabilities and Fund Balances	\$ 222,066	\$ 18,775	\$ 109,960	\$ 52,405

Debt Service				Capital Projects	
1997	2002 (A)	2002 (B)	2005	1997 Construction	Total
\$ 371,489	\$ 346,325	\$ 554,855	\$ 85,417	\$ -	\$ 1,497,473
2,056	1,653	1,343	-	-	110,048
64,095	34,525	10,692	-	-	132,500
-	-	-	-	-	9,838
-	-	-	-	-	57,073
6,476	3,409	1,060	-	-	12,877
-	-	-	-	-	66,792
<u>\$ 444,116</u>	<u>\$ 385,912</u>	<u>\$ 567,950</u>	<u>\$ 85,417</u>	<u>\$ -</u>	<u>\$ 1,886,601</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,803
-	-	-	-	-	88,301
-	-	-	-	-	3,373
-	-	-	-	-	15,640
64,095	34,525	10,692	-	-	132,500
<u>64,095</u>	<u>34,525</u>	<u>10,692</u>	<u>-</u>	<u>-</u>	<u>300,617</u>
380,021	351,387	557,258	85,417	-	1,513,260
-	-	-	-	-	-
-	-	-	-	-	72,724
<u>380,021</u>	<u>351,387</u>	<u>557,258</u>	<u>85,417</u>	<u>-</u>	<u>1,585,984</u>
<u>\$ 444,116</u>	<u>\$ 385,912</u>	<u>\$ 567,950</u>	<u>\$ 85,417</u>	<u>\$ -</u>	<u>\$ 1,886,601</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2005

	Special Revenue			
	Food Service	Athletics	1990	1996
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 1,314,919	\$ 295,856
Interest earnings	4,377	76	12,365	1,963
Sales and admissions	1,525,716	364,302	-	-
Total local sources	1,530,093	364,378	1,327,284	297,819
State sources	80,145	-	-	-
Federal sources	290,462	-	-	-
Total Revenues	1,900,700	364,378	1,327,284	297,819
Expenditures				
Current:				
Food service	1,987,041	-	-	-
Athletics	-	1,039,837	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	396,586	165,000
Interest and fiscal charges	-	-	930,734	132,387
Bond issuance costs	-	-	-	-
Underwriter's discount	-	-	-	-
Total Expenditures	1,987,041	1,039,837	1,327,320	297,387
Excess (Deficiency) of Revenues Over Expenditures	(86,341)	(675,459)	(36)	432
Other Financing Sources (Uses)				
Refunding bond proceeds	-	-	-	-
Bond premium	-	-	-	-
Transfers in	-	675,459	-	-
Other	-	-	-	-
Payments to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	-	675,459	-	-
Net Change in Fund Balances	(86,341)	-	(36)	432
Fund Balances, July 1	159,065	-	92,167	46,614
Fund Balances, June 30	\$ 72,724	\$ -	\$ 92,131	\$ 47,046

Debt Service				Capital Projects 1997	
1997	2002 (A)	2002 (B)	2005	Construction	Total
\$5,397,673	\$ 2,841,227	\$ 883,904	\$	\$ -	\$ 10,733,579
39,158	19,901	9,203	499	99	87,641
-	-	-	-	-	1,890,018
5,436,831	2,861,128	893,107	499	99	12,711,238
-	-	-	-	-	80,145
-	-	-	-	-	290,462
5,436,831	2,861,128	893,107	499	99	13,081,845
-	-	-	-	-	1,987,041
-	-	-	-	-	1,039,837
-	-	-	-	8,970	8,970
2,845,000	1,200,000	5,000	-	-	4,611,586
1,560,002	1,498,054	589,497	-	-	4,710,674
287,060	-	-	-	-	287,060
160,425	-	-	-	-	160,425
4,852,487	2,698,054	594,497	-	8,970	12,805,593
584,344	163,074	298,610	499	(8,871)	276,252
34,875,000	-	-	-	-	34,875,000
2,786,368	-	-	-	-	2,786,368
-	-	-	-	-	675,459
-	-	-	84,918	-	84,918
(38,111,946)	-	-	-	-	(38,111,946)
(450,578)	-	-	84,918	-	309,799
133,766	163,074	298,610	85,417	(8,871)	586,051
246,255	188,313	258,648	-	8,871	999,933
\$ 380,021	\$ 351,387	\$ 557,258	\$ 85,417	\$ -	\$ 1,585,984

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
Revenues				
Local sources:				
Sales and admissions	\$ 1,542,653	\$ 1,525,716	\$ (16,937)	\$ 1,554,901
Interest earnings	4,000	4,377	377	913
Total local sources	1,546,653	1,530,093	(16,560)	1,555,814
State sources	87,359	80,145	(7,214)	80,475
Federal sources	297,000	290,462	(6,538)	289,545
Total Revenues	1,931,012	1,900,700	(30,312)	1,925,834
Expenditures				
Current:				
Food service	1,924,338	1,987,041	(62,703)	1,806,563
Net Change in Fund Balances	6,674	(86,341)	(93,015)	119,271
Fund Balances, July 1	159,065	159,065	-	39,794
Fund Balances, June 30	\$ 165,739	\$ 72,724	\$ (93,015)	\$ 159,065

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2005

	2005			2004
	Budget	Actual	Variance - Positive (Negative)	Actual
Revenues				
Local sources:				
Sales and admissions	\$ 350,344	\$ 364,302	\$ 13,958	\$ 829,253
Interest earnings	-	76	76	67
Total Revenues	<u>350,344</u>	<u>364,378</u>	<u>14,034</u>	<u>829,320</u>
Expenditures				
Current:				
Athletics	<u>966,925</u>	<u>1,039,837</u>	<u>(72,912)</u>	<u>1,390,278</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(616,581)</u>	<u>(675,459)</u>	<u>(58,878)</u>	<u>(560,958)</u>
Other Financing Sources				
Transfers in	<u>616,581</u>	<u>675,459</u>	<u>58,878</u>	<u>560,958</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, July 1	-	-	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Investments	\$ 102,441	\$ 131,714
Accounts receivable	2,501	7,049
Due from other funds	50,332	16,084
Inventory	<u>66,792</u>	<u>57,517</u>
Total Assets	<u><u>\$ 222,066</u></u>	<u><u>\$ 212,364</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 58,781	\$ 37,485
Due to other funds	87,617	13,724
Due to other governmental units	541	358
Salaries payable	<u>2,403</u>	<u>1,732</u>
Total Liabilities	<u>149,342</u>	<u>53,299</u>
Fund Balances		
Unreserved:		
Undesignated	<u>72,724</u>	<u>159,065</u>
Total Liabilities and Fund Balance	<u><u>\$ 222,066</u></u>	<u><u>\$ 212,364</u></u>

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	2005	2004
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 711,670	\$ 720,126
Adult lunches	21,395	20,910
Ala carte	697,762	726,484
Special services	83,352	69,740
Refunds	1,733	1,389
Other	9,804	16,252
	<u>1,525,716</u>	<u>1,554,901</u>
Interest earnings:		
Interest on investments	4,377	913
Total local sources	<u>1,530,093</u>	<u>1,555,814</u>
State sources	80,145	80,475
Federal sources	<u>290,462</u>	<u>289,545</u>
Total Revenues	<u>1,900,700</u>	<u>1,925,834</u>
Expenditures		
Current:		
Food service:		
Salaries:		
Food service	406,013	391,795
Clerical	26,214	24,198
Custodial	22,907	19,824
Severance pay	-	5,174
Employee benefits:		
Employee insurance	131,627	150,470
Retirement	66,603	56,551
Social Security	36,582	34,344
Workers' compensation insurance	9,263	9,159
Unemployment compensation	167	167
Cash in lieu of benefits	22,916	16,377
Management services	135,588	120,799
Audit services	2,107	-
Workshops and conferences	1,616	1,490
Telephone	942	522
Mailing and postage	1,279	1,242
Equipment repair and maintenance	96,168	93,771
Food	811,091	756,956
Gasoline, oil and grease	-	836
Other supplies and materials	128,127	109,382
Equipment and furniture	86,271	12,135
Dues and fees	655	100
Miscellaneous	1,239	1,271
	<u>1,987,041</u>	<u>1,806,563</u>
Total Expenditures	<u>1,987,041</u>	<u>1,806,563</u>
Net Change in Fund Balances	(86,341)	119,271
Fund Balances, July 1	<u>159,065</u>	<u>39,794</u>
Fund Balances, June 30	<u>\$ 72,724</u>	<u>\$ 159,065</u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	2005	2004
Assets		
Cash equivalents	\$ 4,607	\$ 6,235
Investments	90	2,234
Accounts receivable	7,337	-
Due from other funds	6,741	14,914
	<u>18,775</u>	<u>23,383</u>
Total Assets	<u>\$ 18,775</u>	<u>\$ 23,383</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,022	\$ 309
Due to other funds	684	4,008
Due to other governmental units	2,832	3,051
Payroll withholdings payable	-	1,250
Salaries payable	13,237	14,765
	<u>18,775</u>	<u>23,383</u>
Total Liabilities	<u>18,775</u>	<u>23,383</u>
Fund Balances		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 18,775</u>	<u>\$ 23,383</u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	2005	2004
Revenues		
Local sources:		
Sales and admissions:		
Gate receipts	\$ 139,567	\$ 178,251
Sports fees and charges	189,414	179,016
Donations	35,321	471,564
Other revenue	-	422
	<u>364,302</u>	<u>829,253</u>
Interest earnings		
Interest on investments	76	67
	<u>76</u>	<u>67</u>
Total Revenues	<u>364,378</u>	<u>829,320</u>
Expenditures		
Current:		
Athletics:		
Salaries:		
Director	86,738	85,037
Coaches	447,949	421,970
Clerical	30,507	30,098
Other	15,532	24,422
Employee benefits:		
Employee insurance	30,831	23,136
Retirement	84,310	71,916
Social Security	45,575	44,135
Workers' compensation insurance	1,976	1,316
Unemployment compensation	-	184
Contracted medical services	28,826	27,750
Officials and contest staff	68,402	65,451
Travel and conferences	33,546	13,140
Telephone	810	433
Mailing and postage	1,080	1,358
Student insurance	29,800	28,543
Equipment repair and maintenance	1,299	158
Equipment rentals	4,462	7,560
Supplies	14,077	24,990
Uniforms	12,314	11,740
Office supplies	31,262	2,475
Building additions	-	450,000
Equipment and furniture	50,027	33,918
Dues and fees	2,658	2,572
Tournament and entry fees	17,856	17,976
	<u>1,039,837</u>	<u>1,390,278</u>
Total Expenditures	<u>1,039,837</u>	<u>1,390,278</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>(675,459)</u>	<u>(560,958)</u>
Other Financing Sources		
Transfers in	675,459	560,958
	<u>675,459</u>	<u>560,958</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>

DEBT SERVICE FUNDS

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Debt Service Funds
June 30, 2005

	<u>1990</u>	<u>1996</u>	<u>1997</u>	<u>2002 (A)</u>
Assets				
Cash equivalents	\$ 89,341	\$ 45,439	\$ 371,489	\$ 346,325
Investments	1,213	1,252	2,056	1,653
Taxes receivable	17,829	5,359	64,095	34,525
Due from other governmental units	<u>1,577</u>	<u>355</u>	<u>6,476</u>	<u>3,409</u>
Total Assets	<u><u>\$ 109,960</u></u>	<u><u>\$ 52,405</u></u>	<u><u>\$ 444,116</u></u>	<u><u>\$ 385,912</u></u>
 Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 17,829</u>	<u>\$ 5,359</u>	<u>\$ 64,095</u>	<u>\$ 34,525</u>
Fund Balances				
Reserved for debt service	<u>92,131</u>	<u>47,046</u>	<u>380,021</u>	<u>351,387</u>
Total Liabilities and Fund Balances	<u><u>\$ 109,960</u></u>	<u><u>\$ 52,405</u></u>	<u><u>\$ 444,116</u></u>	<u><u>\$ 385,912</u></u>

<u>2002 (B)</u>	<u>2005</u>	<u>Totals</u>	
		<u>2005</u>	<u>2004</u>
\$ 554,855	\$ 85,417	\$ 1,492,866	\$ 821,021
1,343	-	7,517	10,976
10,692	-	132,500	112,837
1,060	-	12,877	-
<u>\$ 567,950</u>	<u>\$ 85,417</u>	<u>\$ 1,645,760</u>	<u>\$ 944,834</u>
<u>\$ 10,692</u>	<u>\$ -</u>	<u>\$ 132,500</u>	<u>\$ 112,837</u>
<u>557,258</u>	<u>85,417</u>	<u>1,513,260</u>	<u>831,997</u>
<u>\$ 567,950</u>	<u>\$ 85,417</u>	<u>\$ 1,645,760</u>	<u>\$ 944,834</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - Debt Service Funds
For the year ended June 30, 2005

	1990	1996	1997	2002 (A)
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 1,294,600	\$ 291,202	\$ 5,314,922	\$ 2,797,588
Industrial facilities taxes	17,729	3,988	72,787	38,313
Delinquent property taxes	635	212	2,141	1,167
Other property taxes	123	33	364	226
Interest on delinquent taxes	1,832	421	7,459	3,933
	<u>1,314,919</u>	<u>295,856</u>	<u>5,397,673</u>	<u>2,841,227</u>
Interest earnings:				
Interest on investments	<u>12,365</u>	<u>1,963</u>	<u>39,158</u>	<u>19,901</u>
Total Revenues	<u>1,327,284</u>	<u>297,819</u>	<u>5,436,831</u>	<u>2,861,128</u>
Expenditures				
Debt service:				
Principal repayment	396,586	165,000	2,845,000	1,200,000
Interest and fiscal charges	930,734	132,387	1,560,002	1,498,054
Bond issuance costs	-	-	287,060	-
Underwriter's discount	-	-	160,425	-
	<u>1,327,320</u>	<u>297,387</u>	<u>4,852,487</u>	<u>2,698,054</u>
Total Expenditures	<u>1,327,320</u>	<u>297,387</u>	<u>4,852,487</u>	<u>2,698,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(36)</u>	<u>432</u>	<u>584,344</u>	<u>163,074</u>
Other Financing Sources (Uses)				
Refunding bond proceeds	-	-	34,875,000	-
Bond premium	-	-	2,786,368	-
Other	-	-	-	-
Payments to escrow agent	-	-	(38,111,946)	-
	<u>-</u>	<u>-</u>	<u>(450,578)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(450,578)</u>	<u>-</u>
Net Change in Fund Balances	<u>(36)</u>	<u>432</u>	<u>133,766</u>	<u>163,074</u>
Fund Balances, July 1	<u>92,167</u>	<u>46,614</u>	<u>246,255</u>	<u>188,313</u>
Fund Balances, June 30	<u><u>\$ 92,131</u></u>	<u><u>\$ 47,046</u></u>	<u><u>\$ 380,021</u></u>	<u><u>\$ 351,387</u></u>

2002 (B)	2005	Totals	
		2005	2004
\$ 870,358	\$ -	\$ 10,568,670	\$ 9,936,336
11,919	-	144,736	132,286
356	-	4,511	10,132
49	-	795	3,808
1,222	-	14,867	14,019
<u>883,904</u>	<u>-</u>	<u>10,733,579</u>	<u>10,096,581</u>
9,203	499	83,089	34,709
<u>893,107</u>	<u>499</u>	<u>10,816,668</u>	<u>10,131,290</u>
5,000	-	4,611,586	3,979,457
589,497	-	4,710,674	5,778,495
-	-	287,060	-
-	-	160,425	-
<u>594,497</u>	<u>-</u>	<u>9,769,745</u>	<u>9,757,952</u>
298,610	499	1,046,923	373,338
-	-	34,875,000	-
-	-	2,786,368	-
-	84,918	84,918	-
-	-	(38,111,946)	-
<u>-</u>	<u>84,918</u>	<u>(365,660)</u>	<u>-</u>
298,610	85,417	681,263	373,338
258,648	-	831,997	458,659
<u>\$ 557,258</u>	<u>\$ 85,417</u>	<u>\$ 1,513,260</u>	<u>\$ 831,997</u>

CAPITAL PROJECTS FUND

1997 Construction—to account for bond proceeds used to finance building construction and improvement projects.

ROCKFORD PUBLIC SCHOOLS
1997 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Investments	<u>\$ -</u>	<u>\$ 39,704</u>
Liabilities and Fund Balances		
Liabilities		
Due to other governmental units	<u>\$ -</u>	<u>\$ 30,833</u>
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>8,871</u>
Total Liabilities and Fund Balance	<u>\$ -</u>	<u>\$ 39,704</u>

ROCKFORD PUBLIC SCHOOLS
1997 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on investments	\$ 99	\$ 508
Expenditures		
Capital outlay:		
Land improvements	-	15,665
Equipment and furniture	8,970	103,868
	<u>8,970</u>	<u>119,533</u>
Debt service:		
Arbitrage rebate	-	30,833
	<u>-</u>	<u>30,833</u>
Total Expenditures	<u>8,970</u>	<u>150,366</u>
Net Change in Fund Balances	(8,871)	(149,858)
Fund Balances, July 1	<u>8,871</u>	<u>158,729</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 8,871</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

ROCKFORD PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2005

	<u>Balances</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2005</u>
Assets				
Investments	<u>\$ 496,773</u>	<u>\$ 1,160,680</u>	<u>\$ 1,143,871</u>	<u>\$ 513,582</u>
Liabilities				
Due to student groups	<u>\$ 496,773</u>	<u>\$ 1,208,670</u>	<u>\$ 1,191,861</u>	<u>\$ 513,582</u>

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Taxable Valuations				
Operating	\$ 88,736,718	\$ 32,361,322	\$ 50,985,655	\$ 14,996,684
Recreation/Debt Service	177,687,257	134,787,443	444,762,424	139,175,687
Rates (Mills)				
General Fund - Operating				
General Fund - Recreation				
1990 Debt Service Fund				
1996 Debt Service Fund				
1997 Debt Service Fund				
2002(A) Debt Service Fund				
2002(B) Debt Service Fund				
Taxes Levied 2004 Rolls				
General Fund - Operating	\$ 1,591,463	\$ 583,037	\$ 927,436	\$ 283,700
General Fund - Recreation	177,594	134,855	444,757	141,353
1990 Debt Service Fund	184,912	140,411	463,081	147,177
1996 Debt Service Fund	41,593	31,583	104,162	33,105
1997 Debt Service Fund	759,147	576,452	1,901,160	604,228
2002(A) Debt Service Fund	399,589	303,424	1,000,704	318,044
2002(B) Debt Service Fund	124,316	94,399	311,330	98,947
	3,278,614	1,864,161	5,152,630	1,626,554
Taxes Uncollected 2004 Rolls				
General Fund - Operating	20,685	284	4,701	192
General Fund - Recreation	1,149	16	262	10
1990 Debt Service Fund	1,196	16	272	11
1996 Debt Service Fund	270	3	60	2
1997 Debt Service Fund	4,912	67	1,118	47
2002(A) Debt Service Fund	2,585	35	589	24
2002(B) Debt Service Fund	805	12	184	7
	31,602	433	7,186	293
Taxes Collected 2004 Rolls				
General Fund - Operating	1,570,778	582,753	922,735	283,508
General Fund - Recreation	176,445	134,839	444,495	141,343
1990 Debt Service Fund	183,716	140,395	462,809	147,166
1996 Debt Service Fund	41,323	31,580	104,102	33,103
1997 Debt Service Fund	754,235	576,385	1,900,042	604,181
2002(A) Debt Service Fund	397,004	303,389	1,000,115	318,020
2002(B) Debt Service Fund	123,511	94,387	311,146	98,940
	3,247,012	1,863,728	5,145,444	1,626,261
Delinquent Taxes Collected				
General Fund	4,721	1,698	495	1,779
1990 Debt Service Fund	386	111	35	121
1996 Debt Service Fund	611	36	11	255
1997 Debt Service Fund	105	33	194	35
2002(A) Debt Service Fund	127	204	63	36
2002(B) Debt Service Fund	996	64	14	400
	\$ 6,946	\$ 2,146	\$ 812	\$ 2,626

(Continued)

Grattan	Oakfield	Plainfield	Total
\$ 1,887,231	\$ 823,530	\$ 71,252,906	\$ 261,044,046
16,329,184	4,849,794	328,958,821	1,246,550,610
			18.0000
			1.0000
			1.0412
			0.2342
			4.2746
			2.2500
			0.7000
			27.5000
\$ 33,970	\$ 14,823	\$ 1,297,872	\$ 4,732,301
16,626	4,850	329,021	1,249,056
17,311	5,049	342,577	1,300,518
3,894	1,136	77,057	292,530
71,071	20,730	1,406,434	5,339,222
37,409	10,912	740,297	2,810,379
11,638	3,395	230,315	874,340
191,919	60,895	4,423,573	16,598,346
-	-	70,033	95,895
-	-	3,901	5,338
-	-	4,061	5,556
-	-	913	1,248
-	-	16,673	22,817
-	-	8,776	12,009
-	-	2,731	3,739
-	-	107,088	146,602
33,970	14,823	1,227,839	4,636,406
16,626	4,850	325,120	1,243,718
17,311	5,049	338,516	1,294,962
3,894	1,136	76,144	291,282
71,071	20,730	1,389,761	5,316,405
37,409	10,912	731,521	2,798,370
11,638	3,395	227,584	870,601
191,919	60,895	4,316,485	16,451,744
-	-	8,535	17,228
-	-	874	1,527
-	-	1,547	2,460
-	-	255	622
-	-	292	722
-	-	2,632	4,106
\$ -	\$ -	\$ 14,135	\$ 26,665

ROCKFORD PUBLIC SCHOOLS
Summary of 2004 Taxes Levied and Collected
For the year ended June 30, 2005

	County of Kent			
	City of Rockford	Algoma	Cannon	Townships Courtland
Total Taxes Collected				
General Fund - Operating	\$ 1,575,499	\$ 584,451	\$ 923,230	\$ 285,287
General Fund - Recreation	176,445	134,839	444,495	141,343
1990 Debt Service Fund	184,102	140,506	462,844	147,287
1996 Debt Service Fund	41,934	31,616	104,113	33,358
1997 Debt Service Fund	754,340	576,418	1,900,236	604,216
2004(A) Debt Service Fund	397,131	303,593	1,000,178	318,056
2004(B) Debt Service Fund	124,507	94,451	311,160	99,340
	<u>\$ 3,253,958</u>	<u>\$ 1,865,874</u>	<u>\$ 5,146,256</u>	<u>\$ 1,628,887</u>
Taxes Uncollected – June 30, 2005				
General Fund:				
2004	\$ 21,834	\$ 300	\$ 4,963	\$ 202
2003	13,440	18,283	22,595	1,419
2002	7,725	16,172	20,900	854
	<u>42,999</u>	<u>34,755</u>	<u>48,458</u>	<u>2,475</u>
1990 Debt Service Fund:				
2004	1,196	16	272	11
2003	882	1,198	1,485	93
2002	523	1,065	1,410	61
	<u>2,601</u>	<u>2,279</u>	<u>3,167</u>	<u>165</u>
1996 Debt Service Fund:				
2004	270	3	60	2
2003	293	398	493	31
2002	175	362	478	24
	<u>738</u>	<u>763</u>	<u>1,031</u>	<u>57</u>
1997 Debt Service Fund:				
2004	4,912	67	1,118	47
2003	3,122	4,204	5,066	323
2002	1,684	3,461	4,557	184
	<u>9,718</u>	<u>7,732</u>	<u>10,741</u>	<u>554</u>
2002(A) Debt Service Fund:				
2004	2,585	35	589	24
2003	1,606	2,199	2,727	171
2002	965	1,955	2,599	81
	<u>5,156</u>	<u>4,189</u>	<u>5,915</u>	<u>276</u>
2002(B) Debt Service Fund:				
2004	805	12	184	7
2003	510	690	856	53
2002	283	592	784	46
	<u>1,598</u>	<u>1,294</u>	<u>1,824</u>	<u>106</u>
	<u>\$ 62,810</u>	<u>\$ 51,012</u>	<u>\$ 71,136</u>	<u>\$ 3,633</u>

Grattan	Oakfield	Plainfield	Total
\$ 33,970	\$ 14,823	\$ 1,236,374	\$ 4,653,634
16,626	4,850	325,120	1,243,718
17,311	5,049	339,390	1,296,489
3,894	1,136	77,691	293,742
71,071	20,730	1,390,016	5,317,027
37,409	10,912	731,813	2,799,092
11,638	3,395	230,216	874,707
<u>\$ 191,919</u>	<u>\$ 60,895</u>	<u>\$ 4,330,620</u>	<u>\$ 16,478,409</u>
\$ -	\$ -	\$ 73,934	\$ 101,233
-	-	47,200	102,937
-	-	36,697	82,348
-	-	157,831	286,518
-	-	4,061	5,556
-	-	3,106	6,764
-	-	2,450	5,509
-	-	9,617	17,829
-	-	913	1,248
-	-	1,029	2,244
-	-	828	1,867
-	-	2,770	5,359
-	-	16,673	22,817
-	-	10,740	23,455
-	-	7,937	17,823
-	-	35,350	64,095
-	-	8,776	12,009
-	-	5,692	12,395
-	-	4,521	10,121
-	-	18,989	34,525
-	-	2,731	3,739
-	-	1,786	3,895
-	-	1,353	3,058
-	-	5,870	10,692
<u>\$</u>	<u>\$</u>	<u>\$ 230,427</u>	<u>\$ 419,018</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A s A N D C O N S U L T A N T S

October 2, 2005

The Board of Education
Rockford Public Schools

The following comments pertain to our audit of the financial records of Rockford Public Schools as of and for the year ended June 30, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Rockford Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Rockford Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Rockford Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Rockford Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Rockford Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Rockford Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rockford Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of Rockford Public Schools for the year ended June 30, 2005. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$92,275 to record 2004 delinquent personal property taxes receivable and \$47,973 to write off 2001 delinquent personal property taxes uncollected at June 30, 2005.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Rockford Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Rockford Public Schools to the Executive Director of Business Services and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

Other Comments

The General Fund balance of the District increased by \$1,873,190 to \$5,783,978 at June 30, 2005. This balance represents approximately 8.90 percent of the District's 2005-06 expenditure budget, up from 6.54 percent at June 30, 2004. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Rockford Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Rockford Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the Rockford Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Rockford Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants